

## Message Text

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47

ORIGIN SS-25

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /026 R

DRAFTED BY E:RMORRIS:LH

APPROVED BY E:RMORIS

S/S - MR. EALUM

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O 151933Z FEB 75

FM SECSTATE WASHDC

TO AMEMBASSY JIDDA IMMEDIATE

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EXDIS

E.O. 11652: GDS

TAGS: ENRG

SUBJECT: OIL PRICES

FOR UNDER SECRETARY ROBINSON FROM MORRIS.

1. I ASKED INR TO RUN A CALCULATION OF WHAT THE CURRENT PRICE PER BARREL OF OIL WOULD BE USING AMOUZEGAR'S FORMULA AS REPORTED IN TEHRAN'S 1402. THEY REPORT THAT SUCH CALCULATION WOULD BE VERY COMPLEX, BUT DID OFFER FOLLOWING OBSERVATIONS, BASED ON ESTIMATE OF IRANIAN GOVERNMENT TAKE (RATHER THAN PRICE PER BARREL). I RECOGNIZE THAT AMOUZEGAR SPOKE IN TERMS OF "PRODUCERS" RATHER THAN JUST IRAN, BUT I AM TOLD THAT EVEN INCLUDING ALL OPEC PRODUCERS WOULD PROBABLY NOT SIGNIFICANTLY CHANGE BASIC CONCLUSIONS.

2. USING INFLATION INDEX FOR PERIOD 1947 TO PRESENT OF UNIT VALUES OF MANUFACTURED EXPORTS, INR CALCULATES THAT:

--OIL REVENUES ACCRUING TO IRANIAN GOVERNMENT UNDER SUCH A FORMULA WOULD HAVE TOTALLED ABOUT \$5 BILLION FOR PERIOD 1947 THROUGH 1974.

ESS GRADUALLY FROM ACTUAL 18.4 CENTS IN 1947 TO 41 CENTS

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IN 1974.

IN 1974.

--EVEN IF GOVERNMENT TAKE PER BARREL HAD BEEN THE SAME PROPORTION OF PRICE ALL THROUGH THE PERIOD AS IT IS NOW, IRAN'S TOTAL 27 YEARS' REVENUE WOULD STILL BE LESS THAN \$10 BILLION.

--THERE WAS NO POINT IN ESTIMATING ACCRUED INTEREST (AS HE SUGGESTED) SINCE ESTIMATED REVENUES BEGAN REGULARLY TO EXCEED HYPOTHETICAL REVENUES IN THE MID FIFTIES, AND THUS IRAN'S HYPOTHETICAL INTEREST PAYMENTS TO CONSUMERS WOULD HAVE MORE THAN CANCELLED OUT INTEREST DUE FROM CONSUMERS.

--IN SUM, SINCE REVENUES IRAN ACTUALLY HAS RECEIVED DURING THE PERIOD ARE ESTIMATED AT OVER \$36 BILLION, APPLICATION OF HIS FORMULA MEANS IRAN WOULD OWE CONSUMERS ANYWHERE FROM \$25 TO \$30 BILLION AS OF END 1974.

3. IT SEEMS OBVIOUS THAT AMOUZEGAR WAS SPEAKING OFF THE TOP OF HIS HEAD ON THIS ONE, BUT IF HE TAKES THE SAME LINE WITH YOU, YOU MIGHT RESPOND THAT A HASTY CALCULATION RESULTS IN AN ESTIMATE THAT IRAN WOULD END UP OWING CONSUMERS A VERY LARGE SUM, AND REMIND HIM THAT, FOR MANY YEARS IN THE PAST QUARTER CENTURY, THE PRICES OF THEIR IMPORTS REMAINED RELATIVELY STABLE AND IN FACT DECLINED IN SOME.

4. DETAILED ANALYSIS WILL BE AVAILABLE ON YOUR RETURN.  
INGERSOLL

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## Message Attributes

**Automatic Decaptioning:** Z  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PETROLEUM, PRICES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 15 FEB 1975  
**Decaption Date:** 28 MAY 2004  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** CunninFX  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975STATE035757  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** RMORRIS:LH  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D750056-0229  
**From:** STATE  
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**Office:** ORIGIN SS  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** EXDIS  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** EXDIS  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** CunninFX  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 06 AUG 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <06 AUG 2003 by izenbei0>; APPROVED <25 NOV 2003 by CunninFX>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** OIL PRICES FOR UNDER SECRETARY ROBINSON FROM MORRIS.  
**TAGS:** ENRG, IR, SA, OPEC  
**To:** JIDDA  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006